



State of Washington
Department of Revenue

Excise Tax Advisory

Excise Tax Advisories (ETA) are interpretive statements issued by the Department of Revenue under authority of RCW 34.05.230. ETAs explain the Department's policy regarding how tax law applies to a specific issue or specific set of facts. They are advisory for taxpayers; however, the Department is bound by these advisories until superseded by Court action, Legislative action, rule adoption, or an amendment to or cancellation of the ETA.

NUMBER 572.04.169 **REPEALED 5/17/2001**

CONVERSION DATE: July 1, 1998

GRANTS RECEIVED BY NONPROFIT OR GOVERNMENTAL ENTITIES

Issued: July 1, 1995

Bona fide contributions and donations may be taken as a deduction in computing the business and occupation (B&O) tax. Grants may be a form of donation, contribution, or endowment. This Excise Tax Bulletin explains the Department's position regarding the taxation of grants received by nonprofit or governmental entities from governmental or private sources. This represents a clarification and not a change in the Department's position.

RCW 82.04.4282 provides in part:

In computing tax there may be deducted from the measure of tax amounts derived from . . . (3) contributions, (4) donations, . . . and (8) endowment funds.

Though "grants," which may be referred to as "gifts" or "awards," are not specifically included in RCW 82.04.4282, the Department will presume that a grant consisting of an award of money, goods, property or services is a bona fide "contribution," "donation," or "endowment" within the scope and spirit of the deduction intended by the legislature when: (1) the grantor receives no significant goods, services, or benefits in return for making the grant; (2) the grantee is a nonprofit or governmental entity; and (3) the grants are used to promote, advance, or fulfill charitable purposes, including the administrative expenses related to the charitable purposes, within the meaning of sections 501(c)(3) of the Internal Revenue Code and the regulations and case law administering and interpreting that section.

It is not unusual for the person making a gift, whether by contribution, donation, grant, or endowment, to require some accountability for how the gift is used as a condition of receiving the gift or future gifts. This "accountability" can take the form of conditions or restrictions on the use of the gift or grant for specific charitable purposes or can take the form of certain written reports. The requirement to expend grant funds

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

Please direct comments to:
Department of Revenue
Legislation & Policy Division
P O Box 47467
Olympia, Washington 98504-7467
(360) 753-4161 eta@DOR.wa.gov

To inquire about the availability of receiving this document in an alternate format for the visually impaired or language other than English, please call (360)753-3217. Teletype (TTY) users please call 1-800-451-7985.

in a certain way or to provide written reports is not sufficient to determine if a taxable service was performed. Financial reports which simply indicate by category how the funds were used are an example of an "accountability report." Reports which discuss the nature of the project performed are also considered to be "accountability reports." A report or study that provides a significant good or service for the benefit of the grantor, such as a report on the soil contamination levels of the grantor, is not an "accountability report."

Grants in which the grantor receives public acknowledgment of the grant or gift are not taxable simply by reason of acknowledgment of the gift.